BBC NEWS

Microsoft unveils $40bn buy-back

Microsoft has unveiled plans to spend $40bn (£22bn) buying back its shares from investors, the biggest single buy-back plan in history.

Analysts say the move is an attempt by the software giant to use its spare cash to prop up its share price which has fallen by almost 30% this year.

Hewlett-Packard and Nike have also announced major buy-back programmes.

The personal computer-maker will buy back $8bn of shares, while Nike's plan is worth $5bn.

'Attractive prices'

Microsoft said the buy-back plan showed its "confidence in the long-term growth of the company and our commitment to returning capital to our shareholders."

Industry watchers have said Microsoft will be hoping the plan will revive its share price which has declined this year, partly due to its failed $47.5bn (£26.3bn) bid to buy the internet portal Yahoo.

"I'm impressed," said Michael Holland of the deals. He oversees $4bn (£2.2bn) as chairman and founder of Holland & Co in New York.

"When companies have come in to buy their own stock subsequent to a financial crisis, they've bought at attractive prices and it's been a good use of liquidity," Mr Holland told Bloomberg News.

At the end of June this year, the company was sitting on a cash mountain of $23.7bn and has never been in debt in its 33-year history.

The BBC's technology reporter Maggie Shiels said there was little doubt Microsoft had to do something because it simply had too much cash lying on its books following the company's failed attempt to buy either all or part of Yahoo.

Dealogic said the new buy-back, which will run until 2013, is the single biggest share buy-back in history. It follows a previous 2004 plan which started as a $30bn project and was later boosted by another $10bn.

'Volatile market'

HP said its board approved an $8bn repurchase following a previous programme which started in November. About $3bn (£1.6bn) remains from that authorisation.

The firm said it gave the go-ahead to the share buy-back to counteract the effect employee stock plans have on ownership percentages.

Just last week the PC-maker announced it was cutting 24,600 jobs in the wake of its acquisition of Electronic Data Systems Corp.

Meanwhile Nike's plan to buy back $5bn of shares over the next four years has been welcomed by Standard & Poor's Equity Research as providing "support to the shares in a volatile market."

Share buy-backs peaked in the third quarter of 2007 at $172bn according to Standard & Poor's senior index analyst Howard Silverblatt. The figure for the first quarter of this year is $113.9bn.

Story from BBC NEWS:
http://news.bbc.co.uk/go/pr/fr/-/2/hi/business/7630508.stm

Published: 2008/09/22 22:36:49 GMT